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Egypt

Sugar

Annual

2003

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Report Highlights:
Sugar beet production in Egypt is expected to decrease by 18 percent this year. In an attempt to prevent prices from increasing, the government reduced import tariffs on raw sugar to 2 percent and to 10 percent on refined sugar. This is expected to result in substantial increase in stocks in 2003.

Includes PSD changes: Yes
Includes Trade Matrix: Yes
Annual Report
Cairo [EG1], EG

PSD Table Cent.Sugar

PSD Table						
Country:	Egypt					
Commodity:	Sugar					
		2002		2003		2004
	Old	New	Old	New	Old	New
Market Year Begin		10/2002		10/2003		10/2004
Beginning Stocks	108	282	247	450	0	640
Beet Sugar Production	375	368	420	300	0	320
Cane Sugar Production	1000	1040	1050	1040	0	1045
TOTAL Sugar Production	1375	1408	1470	1340	0	1365
Raw Imports	595	584	500	600	0	500
Refined Imp.(Raw Val)	150	518	200	500	0	400
TOTAL Imports	745	1102	700	1100	0	900
TOTAL SUPPLY	2228	2792	2417	2890	0	2905
Raw Exports	0	0	0	0	0	0
Refined Exp.(Raw Val)	0	52	100	0	0	150
TOTAL EXPORTS	0	52	100	0	0	150
Human Dom. Consumption	2080	2290	2040	2250	0	2255
Feed Dom. Consumption	0	0	0	0	0	0
TOTAL Dom. Consumption	2080	2290	2040	2250	0	2255
Ending Stocks	148	450	277	640	0	500
TOTAL DISTRIBUTION	2228	2792	2417	2890	0	2905

Area Planted and Production

Sugarcane is grown mainly in upper Egypt where it is relatively well adapted to the extreme summer heat. Typically, sugarcane is planted in the fall. Harvesting operations normally begin 13-15 months later. Sugarcane harvesting usually runs from December through April. The Ministry of Agriculture (MOA) estimates total cane area for the crop harvested in CY 2002 at 312,000 feedans, (131,040 HA), about 3,000 HA higher than the previous year. However, industry sources estimate that the amount of cane crop actually delivered in 2002 was harvested from only 220,000 feddans (or about 92,000 HA). The difference represents non-official deliveries utilized in manufacturing sugarcane syrup in small rural plants, or otherwise consumed fresh or not harvested due to infestation. Total harvested area for 2003 is expected to be about the same as the previous season.

Total sugarcane production for 2003 is expected to be about 12,000,000 MT. The Ministry of Agriculture's campaign to control the spread of rust scaling plant disease which caused substantial damage to farms in the Qina region last season is continuing this year. This disease first appeared in the 1999 season, but the damage was marginal (only 18 HA were affected). However, the disease spread rapidly affecting 840 HA in the 2000 season and up to 4200 HA during the 2001 and 2002 seasons. The disease is currently present in plots located in various areas. Farmers are paying LE 300 per feddan for treatment. According to industry sources, the plant variety that is being used (C-9) has been grown for the past forty two years. Over time, the plant variety became less resistant to insects, and the scaling disease, which is a naturally occurring bacteria that causes plant decay. Reportedly, the Sugarcane Institute is developing five new sugarcane varieties which have early maturity, higher yield and sugar content characteristics. New varieties are currently under trails in 90 feddans (39 HA).

Cane sugar production in Egypt is monopolized by one public sector company, the Sugar & Integrated Industries Company (SIIC). The SIIC was formed in 1963 when the government nationalized the eight private sugar mills that were operating at that time. Most of these mills were built in the 1920's. The SIIC has a limited crushing capacity and can process no more than 70-80 percent of the total available sugarcane crop. However, it does have a considerable amount of excess refining capacity. In order to generate new sources of revenue to compensate for its financial losses, the company contracts some of its excess refining capacity to private importers who process raw sugar at a fee of LE 200 per MT.

Sugar beet is the a secondary sugar crop, but is becoming a growing source of sugar production in Egypt. In the 2003 season, area planted to sugar beet is estimated at about 58,000 HA or about 15 percent less than the 2002 season. This drop occurred because some farmers shifted from beet cultivation to wheat as wheat became more lucrative crop. Sugar beet production is expected to be about 15 percent lower than the 2002 level.

Sugarcane yield is expected to be about 103 MT per hectare in the 2003 season. The expected increase in average yield is attributed to expectation of less infestation of the scaling disease. Beet yields on individual farms vary between 30 and 70 MT per hectare. In the 2002 season, the average yield was about 48.5 MT per hectare, or about 2 percent higher than the previous season. Industry sources expect sugar beet yields in 2003 to be about the same as the 2002 level. Generally, weather does not play a major role in cane production in Egypt. All of the cane crop is irrigated and the climate is fairly consistent throughout the major producing region of upper Egypt. Nevertheless, favorable climatic conditions such as low temperatures at night and mild temperatures during the day contributed to the good quality of cane crops in the 2002 season. Preliminary reports on the 2003 season cane crop indicate that the average sugar content is expected to be about 12.7 percent as compared to about 12.5 percent in the 2002 season and sugar recovery is expected to be about the same as the previous season or about 10.5 percent.

Weather conditions during the beet-growing season in the Delta area in 2002 season were stable, hence, sugar content also remand stable. Sugar content for 2002 was estimated at 18.15 percent as compared to 18.20 percent in previous season. The sugar recovery rate for 2002 is estimated at 14.7 percent as compared to 15 percent during the previous season. For the 2003 season, sugar content is expected to be between 17.50 and 18 percent and sugar recovery rate is expected to be about 15 percent.

Government Policy

GOE continues to promote sugarcane production because it is labor intensive and very vital to the economy of upper Egypt. However, given the severe competition within the local agricultural economy for land and water, in addition to the country’s limited cane crushing capacity, sugarcane area is unlikely to increase in the future. Thus, any growth in cane sugar production will have to be through increased crop yields. In this respect, Sugar Crops Institute of the Ministry of Agriculture is currently testing five new varieties (Giza 95/19, Gizan95/21, BH 94/119/72 and 94/181/1) two other varieties. All these new improved cane varieties have early maturity, higher yield and insect resistant characteristics. The government’s objective is to reduce sugarcane area, and thus water consumption, in order to save about one billion cubic meters of irrigation water. The savings in water will help develop new land reclamation projects in the South Valley. However, this objective may be difficult to achieve given the government's current pricing policy which encourages farmers to continue growing cane. The government increased the price for cane delivered to the SIIC from LE 95 per MT in 2002 to LE 105 per MT in 2003. Farmers get 60 percent of their money when they deliver their cane to the mill and the remaining 40 percent is paid out to them at the end of the season. Accordingly, growing sugarcane represents the most lucrative farming option for farmers in Upper Egypt. The current government policy is also promoting the expansion of sugar beet production which is suitable for cultivation in the newly reclaimed lands. The price of beet sugar depends on various factors such as sugar content and delivery time. One metric ton of sugar beet that has 16 percent sugar content sells for LE 77. The price jumps to LE 88 per MT if the sugar content is 17 percent. Farmers are paid a premium of as much as LE 35 per MT for early delivery (during the first 10 days of the season).

High Fructose Corn Syrup

The National Company for Maize Products (NCMP), a private sector company, is the only producer of high fructose corn sugar (HFCS) in Egypt. Production of HFCS in CY 2002 was estimated to be about the same as the 2001 production level of 99,552 MT, of which 78,953 MT is HFC-55, and the balance is HFCS-42.

The NCMP has a storage capacity of up to 50,000 MT of corn and 6,000 MT of HFCS. Imported corn is the basic raw material for HFCS production. The company buys about 200,000 MT of yellow corn annually, mostly from the U.S. The company produces about 800 kg of HFCS from one metric ton of corn. HFCS-55 is utilized exclusively by soft drink bottlers. HFCS-42 is used in the production of a variety of products including jams and jellies, ice cream, pastries, and canned fruits. In addition to HFCS, NCMP produces crude corn oil, corn gluten meal (60 percent protein), which is used mainly in poultry feed, and corn gluten feed (16 percent protein), which is used mainly in cattle feed. The average price of HFCS-55 in 2002 was about LE 1,122 per MT compared with LE 1,026 per MT in 2001. The current import price of raw sugar (from the EU) is $ 220 C&F per MT, while the price of refined sugar is $ 220 C&F per MT.

Consumption and Utilization

Total sugar consumption during 2002 was higher than 2001 level by about 12 percent as the sugar imports surged due to reduced tariffs. With sugar supply increase in 2002, per capita sugar consumption increased to 33 KG, compared to 30 KG during 2001, and is not expected to change significantly in 2003. In March 2003, after the devaluation of the Egyptian Pound, the government reduced import tariffs on raw sugar from 5 percent to 2 percent. This was an attempt by the government to prevent sugar prices from rising at the retail level.

The government continues to subsidize sugar consumption under the national ration system. The government determines the selling price of the one million tons of white sugar that is produced by public sector companies, of which 500, 000 MT goes to the Ministry of Supply for distribution to ration cardholders. The selling price, set by the government, is LE 1400 per MT plus a 5 percent profit margin. The Ministry of Supply sells sugar at LE 600 MT or 60 piasters per kg to ration card holders. The remaining balance of the national production is sold by two distribution companies belonging to the Ministry of Supply. They sell sugar to private sector companies which bag and resell the sugar at LE 1.60 per kg. Bulk sugar sells for about LE 1.50 per kg. Government mills sell sugar to the Ministry of Supply at below cost. In return, mills do not pay interest 12 percent on the loans they take out to pay the farmers. Non-rationed sugar is available to consumers through government outlets at LE 1.60 per Kg. The current retail price of sugar in private sector shops runs between LE 1.80 and LE 2.2 per Kg. At the present time, the government appears to be far away from removing sugar from the list of subsidized commodities.

In 2002, approximately 80 percent of the total sugar consumption, or about 1.6 million MT, was in the form of sweeteners for direct consumption. The soft drink bottling industry alone accounts for up to 60,000 MT of raw sugar utilization, and 70,000 MT of HFCS55. The remaining amount is used by the confectionary industry. Most of the HFC-42 produced domestically and most of the imported sugar are used for the production of baking goods, ice cream, jams, jellies, and canned fruits. The confectionary industry uses about 25,000 MT of HFCS-42 annually.

Trade

In CY 2002, total Egyptian sugar imports increased by about 16 percent over the CY 2001 level. This was mainly attributed to the government decision to reduce import tariffs to their previous levels of 5 percent for raw sugar and 10 percent for refined from 24 percent and 26 percent respectively. For 2003, imports are expected to increase further following the government's decision in March 2003, to further reduce import tariffs on raw sugar to 2 percent and 10 percent on refined sugar in addition to the cancellation of the established minimum reference price of $ 760/MT for refined sugar and $720/MT for raw sugar.

The private sector companies and the public sector company SIIC purchase raw sugar from various sources including Brazil and EU, among others. Most of the imported raw sugar is refined at the Hawamdia plant, while small quantities are also refined at the Gerga and Kous facilities located in upper Egypt. HFCS is not imported at the present time.

The average C&F price of white sugar is currently $260 per MT compared to $ 220 per MT in 2002 while the average C&F price of raw sugar is $210 per MT compared to $180 per MT in 2002. Tariffs on other sugar in non-solid form such as syrups and molasses are 30 percent and confectionary sugar is assessed a tariff rate of 40 percent. In CY 2002, Egypt exported an estimated 52 ,000 MT of refined sugar to Iraq under the UN Food for Oil Program compared to 80,000 MT in CY 2001. However, for CY 2003, sugar exports to Iraq is not going to occur due to the current war situation. Delta Sugar Company exports annually about 100,000 MT of molasses and 100,000 of beet bulb. The FOB export price for 2002 was reportedly between $80 per MT and $ 85 per MT respectively.

Import Trade Matrix

Import Trade Matrix			
Country:		Units:	000 MT

Commodity:			
Time period:			
Imports for	2001		2002
U.S.		U.S.	
Others		Others	
Brazil	210	Brazil	942
E.U	50	E.U	84
Argentina	40	Guatemala	41
Zambia	30	Thailand	28
South Africa	22		
France	14		
South Korea	13		
Germany	13		
Italy	10		
Turkey	8		
Total for Others	410		1095
Others not listed	532		7
Grand Total	942		1102

Stocks

Egypt normally maintains strategic sugar stocks equal to about 60 days of direct consumption, i.e., about 375,000 MT. Stocks are held mainly by the SIIC, or at storage facilities belonging to the Ministry of Supply and Home Trade. The government's decision to increase import tariffs on sugar in 2001 restricted imports and this led to substantial reduction in stocks. This forced the government to release some of its strategic stocks. The government decided to reduce import tariffs on sugar last year in order to replenish stocks and prevent prices from increasing. As a result, sugar imports increased substantivally in 2002. Industry analysts estimate sugar stocks for 2002 at 450,000 MT. The government further reduced tariffs on sugar imports in march 2003. This will likely cause stocks to further increase in 2003.

PSD Table Sugarcane Centrifugal

PSD Table						
Country:						
Commodity:	Sugarcane Centrifugal					
		2002		2003		2004

	Old	New	Old	New	Old	New
Market Year Begin		10/2002		10/2003		10/2004
Area Planted	99	92	110	92	0	94
Area Harvested	99	90	107	91	0	93
Production	9450	10272	10200	10386	0	10614
TOTAL SUPPLY	9450	10272	10200	10386	0	10614
Utilization for Sugar	9450	10272	10200	10386	0	10614
Utilizatn for Alcohol	0	0	0	0	0	0
TOTAL UTILIZATION	9450	10272	10200	10386	0	10614

PSD Table Sugar Beets

PSD Table						
Country:						
Commodity:	Sugar Beets					
		2002		2003		2004
	Old	New	Old	New	Old	New
Market Year Begin		10/2002		10/2003		10/2004
Area Planted	75	65	67	58	0	60
Area Harvested	75	64	66	57	0	59
Production	3280	3190	3290	2841	0	2940
TOTAL SUPPLY	3280	3190	3290	2841	0	2940
Utilization for Sugar	3280	3190	3290	2841	0	2940
Utilizatn for Alcohol	0	0	0	0	0	0
TOTAL UTILIZATION	3280	3190	3290	2841	0	2940

PSD Table Sugarcane Non-Centrifugal

PSD Table						
Country:						

Commodity:	Sugarcane Non-Centrifugal					
		2002		2003		2004
	Old	New	Old	New	Old	New
Market Year Begin		10/2002		10/2003		10/2004
Area Planted	13	38	20	35	0	36
Area Harvested	13	35	18	34	0	35
Production	1200	3230	1715	3137	0	3235
TOTAL SUPPLY	1200	3230	1715	3137	0	3235
Utilization for Sugar	1200	3230	1715	3137	0	3235
Utilizatn for Alcohol	0	0	0	0	0	0
TOTAL UTILIZATION	1200	3230	1715	3137	0	3235